LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6920 | **NOTE PREPARED:** Jan 16, 2008
BILL NUMBER: HB 1375 | **BILL AMENDED:**

SUBJECT: Judges Pensions.

FIRST AUTHOR: Rep. Buell | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** | **IMPACT:** State
DEDICATED
FEDERAL

Summary of Legislation: This bill:

(1) Authorizes under certain conditions a participant in the Judges' Retirement System (System) to purchase up to two years of service credit for active duty in the United States armed forces;

(2) Authorizes a participant to elect to receive a decreased retirement benefit during the participant's lifetime with a benefit payable after the participant's death to a designated beneficiary during the lifetime of the beneficiary that is equal to ⅔ or ½ of the participant's benefit;

(3) Permits under certain conditions a participant who has started receiving retirement benefits after electing the joint and survivor option to change the designated beneficiary and receive an actuarially adjusted and recalculated benefit;

(4) Authorizes a participant with at least eight years of creditable service who is also vested in the Public Employees' Retirement Fund (PERF) to elect to use not more than ten years of PERF service credit to qualify for a retirement benefit from the Judges' Retirement System and waive the right to a retirement benefit from PERF; and

(5) Provides that the PERF service credit may not be used to compute the participant's retirement benefit from the System.

Effective Date: July 1, 2008.

Explanation of State Expenditures: Records are not immediately available to indicate how much PERF service each of the current participants of the Judges' 1985 Retirement System has. In order to estimate the impact, it is assumed that each participant in the Judges' System has, on average, two years of PERF service that may be used for participants to qualify for a retirement benefit from the Judges' Retirement System. The estimated fiscal impact appears in the following table.

Increase in Unfunded Actuarial Liability	$530,000
Increase in Annual Funding by Employer	$191,000
Change in Funded Status	From 74.6% to 74.5%

The above amounts illustrate the fiscal impact of this proposal if the plan was funded on an actuarially prefunded basis. However, since this plan is funded on a pay-as-you-go basis, the following table illustrates the estimated increase in annual benefit payouts after the effective date through June 30, 2015.

Fiscal Year	Increase in Annual Benefit Payouts
2008-2009	$(48,000)
2009-2010	$20,000
2010-2011	$45,000
2011-2012	$75,000
2012-2013	$115,000
2013-2014	$153,000
2014-2015	$212,000

The fund affected is the state General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund as administrators of the Judges' Retirement System.

Local Agencies Affected:

Information Sources: Doug Todd of McCready & Keane, Inc., actuaries for the Public Employees' Retirement Fund and the Judges' Retirement System, 317 576-1508.

Fiscal Analyst: James Sperlik, 317-232-9866.

DEFINITIONS

Actuarially Prefunded Basis An approach to funding retirement or other benefits whereby the employer sets aside monies for each employee or for the group of active employees as a whole on some systematic basis during their working years.

Funded Status The ratio of the assets of a pension plan to its liabilities.

Funding Funding is a systematic program under which assets are set aside in amounts and at times approximately coincident with the accruing of benefit rights under a retirement system.

Pay-As-You-Go Method The Pay-As-You-Go Method, sometimes called current disbursement cost method, is a method of recognizing the costs of a retirement system only as benefits are paid.

Unfunded Actuarial Liability-The actuarial liability, sometimes called the unfunded liability, of a retirement system at any time is the excess of its actuarial liability as that time over the value of its cash and investments.